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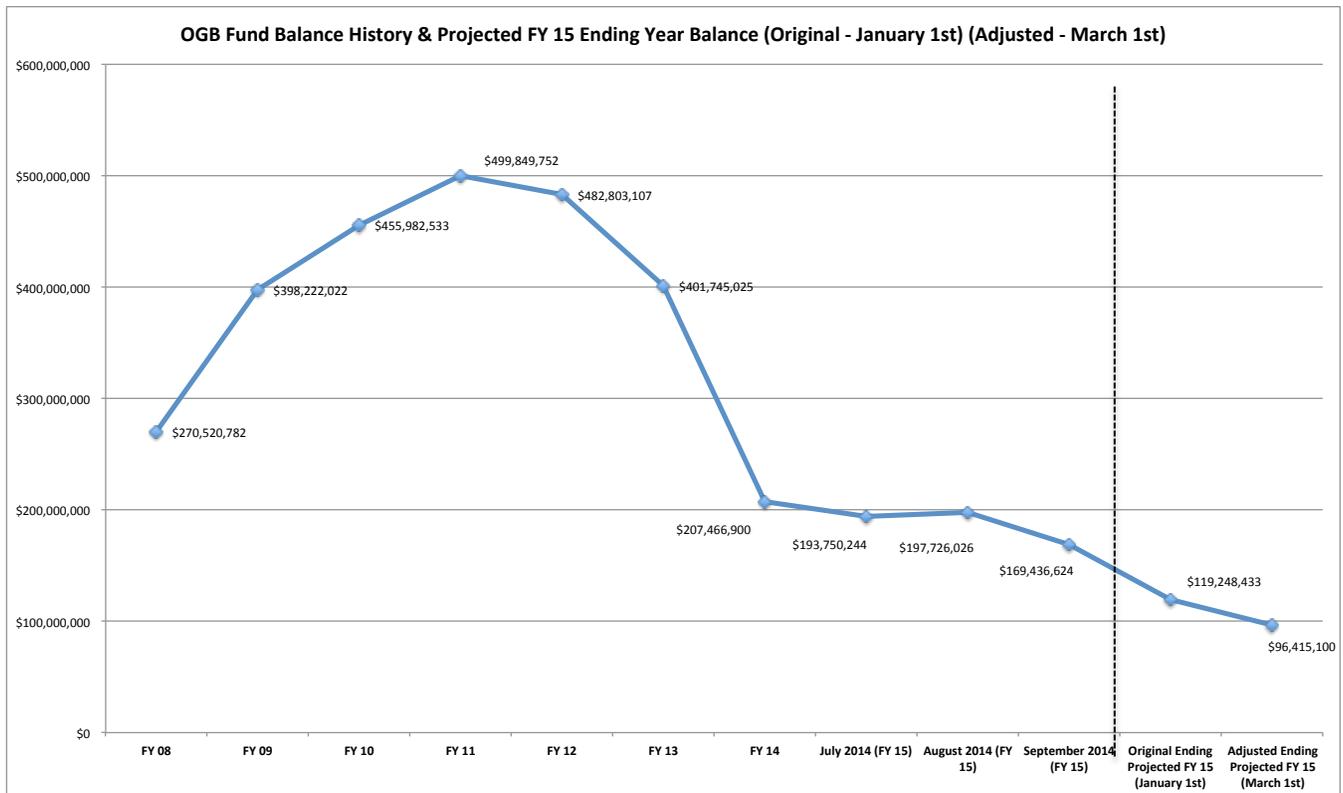
**TO:** The Honorable James R. Fannin, Chairman Joint Legislative Committee on the Budget (JLCB)  
 The Honorable Jack Donahue, Vice Chairman Joint Legislative Committee on the Budget (JLCB)  
 Honorable Members of the Joint Legislative Committee on the Budget (JLCB)

**FROM:** J. Travis McIlwain, Section Director  
 John D. Carpenter, Legislative Fiscal Officer

**DATE:** October 17, 2014

**SUBJECT:** Office of Group Benefits (OGB) Update (October 2014)

The line graph below depicts the OGB Fund Balance History from FY 08 to FY 14, along with ending July 2014, ending August 2014 and ending September 2014 fund balance actuals. In addition, the line graph depicts the original FY 15 ending year fund balance (with January 1st implementation date) and the adjusted FY 15 ending year fund balance (with extended March 1st implementation).



Changing the implementation date from January 1, 2015 to March 1, 2015 will impact the anticipated OGB ending FY 15 fund balance. Based upon FY 14 actual revenue/expenditure data as the base year, to the extent FY 15 total expenditures increase by the 8-year overall 6% expenditure trend and the March 1st adjusted DOA/OGB anticipated savings actually occur from health plan changes, the FY 15 ending year OGB fund balance would be approximately \$96.4 M, or a negative burn rate of approximately \$9.4 M during FY 15. Table 1 below depicts the calculation of \$96.4 M. *Note: This calculation assumes the emergency rule is effective.*

<b>FY 15 Projected Fund Balance</b>	<b>FY 14 Actual</b>	<b>FY 15 w/6% Exp. Growth</b>	<b>Adj FY 15 Health Plan Changes*</b>	<b>FY 15 Projected</b>
Total Revenues	\$1,246,394,217	\$1,246,394,217	\$57,900,000	\$1,304,294,217
Total Expenditures	\$1,440,672,343	\$1,527,112,684	(\$111,766,667)	\$1,415,346,017
Fund Balance Impact	(\$194,278,126)	(\$280,718,467)		(\$111,051,800)
<b>Ending Year Fund Balance</b>	<b>\$207,466,900</b>			<b>\$96,415,100</b>

\* The \$57.9 M above is due to the 5% premium rate increase effective July 1, 2014. The (\$111.8 M) is based upon adjusted anticipated cost savings from the prescription drug changes in the amount of \$69 M, health plan design changes \$40.1 M and \$2.7 M other standardization changes.

Since the Division of Administration (DOA)/Office of Group Benefits (OGB) moved the start date of the new OGB plan changes from January 1, 2015 to March 1, 2015, the DOA/OGB is anticipating the 2-month delay to result in an aggregate potential savings decrease of \$20 M, or \$10 M per month. This calculation is based upon the A & M projected savings calculation for the health plan changes originally expected to go into effect on January 1, 2015 and being in effect from January 1, 2015 to June 30, 2015.

The \$96.4 M FY 15 ending year fund balance projection utilizes FY 14 actuals as the base data. However, through the first 3 months of FY 15, OGB's current monthly negative burn rate is approximately \$12.7 M per month which is likely due to increased medical claims expenditures in the month of September. Graph 1 below depicts FY 15 monthly OGB revenues, expenditures, fund balance and percentage change in fund balance through September 2014. Based upon the graph below, September expenditure activity (likely driven by medical claims) utilized approximately \$28 M of OGB's current fund balance to pay expenditures. Graph 2 below is a depiction of monthly medical claims expenditures (PPO, HMO and MedRx claims only) for FY 2015.

